

Message Text

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45

ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 AF-06

ARA-10 EA-10 EUR-12 PA-02 PRS-01 /145 W

----- 003579

R 311305Z MAY 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3079

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKY

AMEMBASSY TRIPOLI

USINT BAGHDAD

USMISSION OECDPARIS

USMISSION EC BRUSSELS

UNCLAS KUWAIT 2291

E.O. 11652: N/A

TAGS: ENRG KU

SUBJECT: OIL PRODUCTION LIMITATION BILL PROPOSED BY DEPUTIES

1. FIVE OPPOSITION DEPUTIES PROPOSED A BILL IN PARLIAMENT
LAST WEEK WHICH WOULD LIMIT KUWAIT OIL PRODUCTION TO 1.5
MILLION BARRELS PER DAY. THIS WOULD INCLUDE PRODUCTION FROM
FUTURE EXPLORATION AND KUWAIT'S SHARE IN ARABIAN OIL COMPANY
PRODUCTION.

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2. IN PROPOSING THEIR BILL, THE FIVE DEPUTIES CONTENTED THAT GOK'S PRESENT FINANCIAL NEEDS AVERAGE ABOUT \$3.5 BILLION PER YEAR, AND EVEN AT SUGGESTED PRODUCTION LIMIT OF 1.5 MILLION BARRELS PER DAY THERE WOULD BE MORE THAN ENOUGH INCOME TO ASSURE SUFFICIENT FUNDS FOR DOMESTIC PROJECTS, AND FOREIGN ECONOMIC ASSISTANCE AND INVESTMENT. THEY SAID PRODUCTION IN EXCESS OF 1.5 MILLION BARRELS PER DAY WILL CERTAINLY RESULT IN ACCUMULATIN OF ENORMOUS FINANCIAL SURPLUSES THAT WOULD BE EXPOSED TO THE DANGERS OF MONETARY FLUCTUATIONS AND SHOCKS THUS LOSING ITS PURCHASING POWER.

3. COMMENT: PRODUCTION LEVEL OF 1.5 MILLION BARRELS PER DAY WOULD BE DIFFICULT FOR PEOPLE TO ACCEPT, BECAUSE AT THAT LEVEL THERE WOULD BE INSUFFICIENT GAS FOR KUWAIT'S ELECTRICITY, WATER, AND INDUSTRIAL REQUIREMENTS. WE DOUBT THAT OPPOSITION BILL WILL PASS INTO LAW. NEVERTHELESS CONSERVATION OF OIL RESERVES AND PROTECTION OF FINANCIAL SURPLUSES FROM MONETARY FLUCTUATIONS ARE MATTERS OF GENUINE AND SERIOUS CONCERN IN KUWAIT. OPPOSITION PROPOSAL, THEREFORE, DOES HAVE SOME APPEAL AND IT WILL SERVE TO MAINTAIN PRESSURE ON GOK TO LIMIT OIL PRODUCTION.

MAU

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NNN

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Margaret P. Grafeld
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